

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2100-02
Bill No.: HB 944
Subject: Children and Minors; Taxation and Revenue - General and Income
Type: Original
Date: March 15, 2001

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| General Revenue | \$0 | (\$27,154,400) | (\$27,154,400) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | (\$27,154,400) | (\$27,154,400) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| None | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

In a similar prior proposal, officials of the **Department of Revenue (DOR)** stated this proposal allows an income tax credit for taxpayers whose spouse is not employed outside the home and provides child care for their children under the age of six.

DOR stated the number of taxpayers eligible for this credit is unknown. Although workload measures were stated by DOR, staffing needs were estimated as unknown. Modifications to the telefile system would be needed, which would include a \$250 charge from MCI and an additional \$.21 a minute charge for every filer taking this credit. The Information Systems Division estimates the implementation costs would be \$4,790 and ongoing costs would be \$2,375 for the State Data Center.

Oversight assumes the Department of Revenue could handle the provisions of this proposal with existing staff and resources. Though requested by Oversight, DOR did not provide an estimate of the state revenue loss which would be expected due to the provisions of the proposal.

In a similar prior proposal, officials of the **Office of Administration (COA)** stated this proposal allows an income tax credit for taxpayers whose spouse is not employed and provides child care. According to data from the 1997 Missouri Current Population Survey, there are 67,886 spouses who are not employed that have children under six and receive no public assistance. With a tax credit of \$400 this yields a fiscal impact of (\$27,154,400). No growth factor was assumed.

Oversight assumes that taxpayers will not adjust their withholdings in FY02 to take advantage of this credit.

Oversight assumes the DOR will require certification of eligibility for the tax credit by those applying for the credit. Failure to verify eligibility could result in costs beyond amounts estimated.

This proposal would result in a decrease in Total State Revenues.

| <u>FISCAL IMPACT - State Government</u> | FY 2002 (6 Mo.) | FY 2003 | FY 2004 |
|---|--------------------|-----------------------|-----------------------|
| GENERAL REVENUE FUND | | | |
| <u>Loss to General Revenue Fund</u> | | | |
| Additional Tax Credit for Child Care | \$0 | (\$27,154,400) | (\$27,154,400) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | \$0 | (\$27,154,400) | (\$27,154,400) |

FISCAL IMPACT - Local Government

FY 2002
(6 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes an individual income tax credit equal to \$400 for any qualified spouse who cares for a child who is less than 6 years of age. The qualified spouse must provide care for the child, cannot be gainfully employed, and may not receive public assistance. The qualified spouse must file an affidavit attesting to being a qualified spouse as defined in the bill.

The bill will become effective January 1, 2002.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration



Jeanne Jarrett, CPA
Director

March 15, 2001